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CNBM

China National Building Material Company Limited^{*}

中國建 材 股 份 有 限 公 司

(a joint stock limited company incorporated in the People's Republic of China with limited liability of its members)

(Stock Code: 3323)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The Group's unaudited revenue amounted to RMB106,788 million for the six months ended 30 June 2020, representing a decrease of 4.8% as compared to the same period of 2019.

The unaudited profit attributable to owners of the Group was RMB5,387 million, representing a decrease of 6.4% as compared to the same period of 2019.

Basic earnings per share was RMB0.639, representing a decrease of 6.4% as compared to the same period of 2019. The Board does not recommend the payment of an interim dividend.

The Board of the Company announces the unaudited consolidated results of the Group for the six months ended 30 June 2020 and the Group's consolidated financial position as of 30 June 2020, together with its consolidated results for the six months ended 30 June 2019 and consolidated financial position as of 31 December 2019 for comparison.

The unaudited consolidated financial information of the Group for the six months ended 30 June 2020 has been reviewed by the independent auditor, the Board and the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2020
(Expressed in Renminbi)

		Six months ended 30 June	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
		(unaudited)	(restated) (unaudited)
Revenue	3	106,787,612	112,138,141
Cost of sales		(74,182,766)	(78,786,797)
Gross profit		32,604,846	33,351,344
Investment and other income, net	4	2,365,826	2,112,127
Selling and distribution costs		(5,485,672)	(5,708,025)
Administrative expenses		(13,494,407)	(13,473,434)
Finance costs, net	5	(3,818,861)	(4,666,654)
Share of profits of associates		1,274,622	1,034,997
Share of losses of joint ventures		(2,193)	(401)
Profit before income tax	6	13,444,161	12,649,954
Income tax expense	7	(3,749,357)	(3,849,091)
Profit for the period		9,694,804	8,800,863
Profit attributable to:			
Owners of the Company		5,386,571	5,755,911
Holders of perpetual capital instruments		511,424	591,168
Non-controlling interests		3,796,809	2,453,784
		9,694,804	8,800,863
		RMB	RMB
Earnings per share – basic and diluted	9	0.639	0.682

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2020
(Expressed in Renminbi)

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)
	(unaudited)	(unaudited)
Profit for the period	9,694,804	8,800,863
Other comprehensive income/(expense), net of tax:		
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on defined benefit obligations	1,637	(1,700)
Changes in the fair value of equity instruments at fair value through other comprehensive income, net	(1,188)	325
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	52,798	81,080
Share of associates' other comprehensive income/ (expense)	49,308	(8,067)
Share of joint ventures' other comprehensive expense	(969)	(618)
Other comprehensive income for the period, net of tax	101,586	71,020
Total comprehensive income for the period	9,796,390	8,871,883
Total comprehensive income attributable to:		
Owners of the Company	5,479,248	5,822,177
Holders of perpetual capital instruments	511,424	591,168
Non-controlling interests	3,805,718	2,458,538
Total comprehensive income for the period	9,796,390	8,871,883

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020
(Expressed in Renminbi)

		30 June 2020	31 December 2019
	<i>Note</i>	RMB'000	RMB'000
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment		171,499,086	173,141,115
Right-of-use assets		30,596,147	31,551,144
Investment properties		937,163	971,689
Goodwill		36,375,203	37,886,421
Intangible assets		15,045,674	12,182,414
Interests in associates		17,816,163	15,875,435
Interests in joint ventures		95,704	98,866
Financial assets at fair value through profit or loss		2,420,684	2,569,191
Financial assets at fair value through other comprehensive income		7,268	8,664
Deposits		3,903,451	2,931,857
Trade and other receivables	10	10,267,765	6,323,458
Deferred income tax assets		6,307,255	5,850,924
		295,271,563	289,391,178
Current assets			
Inventories		22,281,614	20,021,854
Trade and other receivables	10	101,912,453	98,054,401
Financial assets at fair value through profit or loss		4,583,156	6,523,573
Derivative financial instruments		10,705	5,254
Amounts due from related parties		3,489,032	3,251,516
Pledged bank deposits		5,247,300	5,127,107
Cash and cash equivalents		24,717,159	24,082,935
		162,241,419	157,066,640
Assets classified as held-for-sale		33,636	90,159
		162,275,055	157,156,799

		30 June 2020	31 December 2019
	<i>Note</i>	RMB'000	RMB'000
		(unaudited)	(audited)
Current liabilities			
Trade and other payables	11	96,427,300	89,285,125
Amounts due to related parties		5,245,258	5,197,240
Borrowings – amount due within one year		103,914,844	97,737,246
Lease liabilities		683,399	1,514,279
Derivative financial instruments		20,327	17,729
Employee benefits payable		4,603	3,861
Current income tax liabilities		3,636,761	4,309,586
Financial guarantee contracts		64,000	64,000
Dividends payable to non-controlling interests		479,259	236,629
		210,475,751	198,365,695
Net current liabilities		(48,200,696)	(41,208,896)
Total assets less current liabilities		247,070,867	248,182,282
Non-current liabilities			
Borrowings – amount due after one year		81,721,354	88,495,563
Deferred income		2,148,282	3,201,890
Lease liabilities		2,885,542	2,708,106
Employee benefits payable		245,680	251,392
Deferred income tax liabilities		2,204,393	2,268,419
		89,205,251	96,925,370
Net assets		157,865,616	151,256,912
Capital and reserves			
Share capital		8,434,771	8,434,771
Reserves		74,986,189	72,201,142
Equity attributable to:			
Owners of the Company		83,420,960	80,635,913
Holders of perpetual capital instruments		22,085,633	20,785,279
Non-controlling interests		52,359,023	49,835,720
Total equity		157,865,616	151,256,912

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020
(Expressed in Renminbi)

1 GENERAL INFORMATION

China National Building Material Company Limited (the “Company” or “CNBM”) was established as a joint stock company with limited liability in The People’s Republic of China (the “PRC”) on 28 March 2005. On 23 March 2006, the Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The address of registered office and principal place of business of the Company is located at Tower 2 (Building B), Guohai Plaza, 17 Fuxing Road, Haidian District, Beijing, the PRC.

The Company’s immediate and ultimate holding company is China National Building Material Group Co., Ltd. (the “Parent”), a state-owned enterprise established on 3 January 1984 under the laws of the PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the cement, concrete, new materials, and engineering services businesses. Hereinafter, the Company and its subsidiaries are collectively referred to as the “Group”.

These condensed consolidated financial statements are presented in Renminbi (“RMB”) which is the functional currency of the Company, unless otherwise stated.

The condensed consolidated financial statements have not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and in compliance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, issued by International Accounting Standards Board (“IASB”). These condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by IASB.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than the adoption of new and amendments to IFRSs, as mentioned in Note 2(b), the accounting policies used in this condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

(a) *Business combination under common control*

On 31 July 2019, Sinoma Science & Technology entered into an equity transfer agreement to acquire 100% equity interests of Beijing FRP Research and Design Institute Company Limited ("Beijing FRP Institute") from China National Building Material Asset Management Corporation (a 100% indirect subsidiary of the Parent) at cash consideration of approximately RMB83,028,300 (the "Beijing FRP Institute Acquisition"). The Beijing FRP Institute Acquisition was completed in October 2019 and thus Beijing FRP Institute has become a subsidiary of the Group.

As Beijing FRP Institute and the Company are controlled by the Parent, the Beijing FRP Institute Acquisition has been accounted for based on the principles of merger accounting.

On 6 December 2019, China United Cement entered into an equity transfer agreement to acquire 80.34% equity interests of Shandong Lunan Cement Company Limited ("Shandong Lunan") from China National Building Material Asset Management Corporation (a 100% indirect subsidiary of the Parent) at cash consideration of approximately RMB7,190,000 (the "Shandong Lunan Acquisition"). The Shandong Lunan Acquisition was completed in December 2019 and thus Shandong Lunan has become a subsidiary of the Group.

As Shandong Lunan and the Company are controlled by the Parent, the Shandong Lunan Acquisition has been accounted for based on the principles of merger accounting.

On 13 June 2019, Sinoma Cement Company Limited entered into an equity transfer agreement to acquire 100% equity interests of Yunfu Sinoma Jieneng Yure Fadian Company Limited ("Yunfu Jieneng") from Sinoma Jieneng Holding Company Limited (a 100% indirect subsidiary of the Parent) at cash consideration of RMB31,295,325 (the "Yunfu Acquisition"). The Yunfu Acquisition was completed in December 2019 and thus Yunfu Jieneng has become a subsidiary of the Group.

As Yunfu Jieneng and the Company are controlled by the Parent, the Yunfu Acquisition has been accounted for based on the principles of merger accounting.

The condensed consolidated financial statements of the Group have been prepared using the merger basis of accounting as if the current group structure has been in existence throughout the periods presented. The unaudited condensed consolidated financial statements have been restated as a result of adoption of merger accounting for the above business combinations under common control.

(b) New and amended standards adopted by the Group

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS standards and the following amendments to IFRSs, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3 SEGMENT INFORMATION

For management purposes, the Group is currently organised into five major operating divisions during the period – cement, concrete, new materials, engineering services and others. These activities are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Cement	–	Production and sale of cement
Concrete	–	Production and sale of concrete
New materials	–	Production and sale of glass fiber, composite and light building materials
Engineering services	–	Provision of engineering services to glass and cement manufacturers and equipment procurement
Others	–	Merchandise trading business and others

More than 90% of the Group's operations and assets are located in the PRC for the six months ended 30 June 2020 and year ended 31 December 2019.

(a) For the six months ended 30 June 2020:

The segment results for the six months ended 30 June 2020 are as follows:

	Cement <i>RMB'000</i>	Concrete <i>RMB'000</i>	New Engineering materials <i>RMB'000</i>	services <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue							
External sales							
At a point of time	53,876,551	21,505,465	16,599,250	-	613,877	-	92,595,143
Over time	-	-	-	14,192,469	-	-	14,192,469
	53,876,551	21,505,465	16,599,250	14,192,469	613,877	-	106,787,612
Inter-segment sales (<i>Note</i>)	4,090,345	121,316	342,736	1,537,919	596,499	(6,688,815)	-
	57,966,896	21,626,781	16,941,986	15,730,388	1,210,376	(6,688,815)	106,787,612
Adjusted EBITDA (unaudited)	17,421,017	1,802,064	3,397,560	1,000,939	(950,465)	-	22,671,115
Depreciation and amortisation	(4,910,132)	(367,500)	(1,082,921)	(264,986)	(79,434)	-	(6,704,973)
Unallocated other income, net							41,057
Unallocated administrative expenses							(16,606)
Share of profits/(losses) of associates	730,245	(8,873)	16,450	5,451	531,349	-	1,274,622
Share of losses of joint ventures	(551)	-	(1,642)	-	-	-	(2,193)
Finance costs, net	(2,528,397)	(557,430)	(294,356)	(171,979)	(179,487)	-	(3,731,649)
Unallocated finance costs, net							(87,212)
Profit before income tax							13,444,161
Income tax expense							(3,749,357)
Profit for the period (unaudited)							9,694,804

Note: The inter-segment sales were carried out with reference to market prices.

The segment results are disclosed as EBITDA, i.e. the profit earned by each segment without allocation of depreciation and amortisation, net other income, central administration costs, net finance costs, share of profits/(losses) of associates, share of losses of joint ventures and income tax expense. This is the measure reported to the management for the purpose of resource allocation and assessment of segment performance. Management views the combination of these measures, in combination with other reported measures, as providing a better understanding for management and investors of the operating results of its business segments for the period under evaluation compared to relying on one of the measures.

(b) As at 30 June 2020:

The segment results for the six months ended 30 June 2020 are as follows:

	Cement	Concrete	New Engineering materials services	Others	Eliminations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets						
Segment assets	221,842,115	51,676,595	58,433,671	58,682,580	5,758,080	- 396,393,041
Interests in associates	9,074,937	30,896	5,707,756	234,176	2,768,398	- 17,816,163
Interests in joint ventures	12,700	-	83,004	-	-	- 95,704
Unallocated assets						43,241,710
Total consolidated assets (unaudited)						457,546,618
Liabilities						
Segment liabilities	124,469,263	16,980,972	27,998,042	46,752,751	7,867,745	- 224,068,773
Unallocated liabilities						75,612,229
Total consolidated liabilities (unaudited)						299,681,002

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets. Segment liabilities include trade creditors, borrowings, accruals and bills payable attributable to sales activities of each segment with the exception of corporate expense payables.

(c) For the six months ended 30 June 2019:

The segment results for the six months ended 30 June 2019 are as follows:

	Cement <i>RMB'000</i> (restated)	Concrete <i>RMB'000</i> (restated)	New materials <i>RMB'000</i> (restated)	Engineering services <i>RMB'000</i> (restated)	Others <i>RMB'000</i> (restated)	Eliminations <i>RMB'000</i> (restated)	Total <i>RMB'000</i> (restated)
Revenue							
External sales							
At a point of time	58,267,960	22,890,738	13,916,149	–	557,447	–	95,632,294
Over time	–	–	–	16,505,847	–	–	16,505,847
	58,267,960	22,890,738	13,916,149	16,505,847	557,447	–	112,138,141
Inter-segment sales (<i>Note</i>)	2,614,211	1,223	1,838	795,586	1,022,351	(4,435,209)	–
	60,882,171	22,891,961	13,917,987	17,301,433	1,579,798	(4,435,209)	112,138,141
Adjusted EBITDA							
(unaudited)	19,768,808	790,770	1,450,510	1,748,278	(534,196)	–	23,224,170
Depreciation and amortisation	(5,169,769)	(483,152)	(956,830)	(275,801)	(71,864)	–	(6,957,416)
Unallocated other income, net							29,113
Unallocated administrative expenses							(13,855)
Share of profits of associates	474,216	–	9,387	1,281	550,113	–	1,034,997
Share of (losses)/profits of joint ventures	(785)	–	2,088	(1,704)	–	–	(401)
Finance costs, net	(3,354,842)	(673,288)	(228,139)	(196,025)	(202,697)	–	(4,654,991)
Unallocated finance costs, net							(11,663)
Profit before income tax							12,649,954
Income tax expense							(3,849,091)
Profit for the period							
(unaudited)							8,800,863

Note: The inter-segment sales were carried out with reference to market prices.

The segment results are disclosed as EBITDA, i.e. the profit earned by each segment without allocation of depreciation and amortisation, net other income, central administration costs, net finance costs, share of profits of associates, share of profits/(losses) of joint ventures and income tax expense. This is the measure reported to the management for the purpose of resource allocation and assessment of segment performance. Management views the combination of these measures, in combination with other reported measures, as providing a better understanding for management and investors of the operating results of its business segments for the period under evaluation compared to relying on one of the measures.

(d) As at 31 December 2019:

The segment assets and liabilities as at 31 December 2019 are as follows:

	Cement	Concrete	New materials	Engineering services	Others	Eliminations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets							
Segment assets	234,090,193	38,197,655	54,896,037	55,386,247	3,897,215	–	386,467,347
Interests in associates	7,798,898	25,581	5,556,275	150,323	2,344,358	–	15,875,435
Interest in joint ventures	13,252	–	85,614	–	–	–	98,866
Unallocated assets							44,106,329
Total consolidated assets (audited)							446,547,977
Liabilities							
Segment liabilities	121,371,945	15,746,527	25,580,470	45,042,333	7,696,819	–	215,438,094
Unallocated liabilities							79,852,971
Total consolidated liabilities (audited)							295,291,065

(e) *A reconciliation of total adjusted profit before finance costs, income tax expense, depreciation and amortisation, is provided as follows:*

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(restated) (unaudited)
Adjusted EBITDA for reportable segments	23,621,580	23,758,366
Adjusted EBITDA for other segments	(950,465)	(534,196)
Total segments profit	22,671,115	23,224,170
Depreciation of property, plant and equipment	(4,821,656)	(5,142,379)
Depreciation of right-of-use assets	(1,227,060)	(1,260,310)
Amortisation of intangible assets	(656,257)	(554,727)
Corporate items	24,451	15,258
Operating profit	15,990,593	16,282,012
Finance costs, net	(3,818,861)	(4,666,654)
Share of profits of associates	1,274,622	1,034,997
Share of losses of joint ventures	(2,193)	(401)
Profit before income tax	13,444,161	12,649,954

4 INVESTMENT AND OTHER INCOME, NET

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(restated) (unaudited)
(Decrease)/increase in fair value of financial assets at fair value through profit or loss, net	(557,992)	768,340
Decrease in fair value of derivative financial instruments, net	(2,588)	(13,910)
Discount on acquisition of interests in subsidiaries	802	1,610
Government subsidies:		
– VAT refunds (<i>Note (a)</i>)	546,597	506,192
– Government grants (<i>Note (b)</i>)	605,840	400,672
– Interest subsidy	133	719
Net rental income	124,617	253,820
Gain on disposal of property, plant and equipment:		
– Gain on disposal of properties	582,855	–
– Others	605,862	–
Loss on disposal of other investments	(11,519)	(3,358)
Gain on disposal of subsidiaries, net	64,810	15,682
Gain on disposal of associates	9,389	–
Technical and other service income	155,184	115,824
Claims received	82,801	41,167
Waiver of payables	63,378	19,051
Others	95,657	6,318
	2,365,826	2,112,127

Notes:

- (a) The State Council of the PRC issued a “Notice Encouraging Comprehensive Utilisation of Natural Resources” (the “Notice”) in 1996 to encourage and support enterprises, through incentive policies, to comprehensively utilise natural resources. Pursuant to the Notice, the Ministry of Finance and the State Administration of Taxation of the PRC enacted several regulations providing incentives in form of VAT refund for certain environmentally friendly products, including products that utilise industrial waste as part of their raw materials. Under the Notice and such regulations, the Group is entitled to receive immediate or future refund on any paid VAT with respect to any eligible products as income after it receives approvals from the relevant government authorities.
- (b) Government grants are awarded to the Group by the local government agencies as incentives primarily to encourage the development of the Group and the contribution to the local economic development.

5 FINANCE COSTS, NET

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest expenses on bank borrowings:		
– wholly repayable within five years	2,616,653	2,921,331
– not wholly repayable within five years	92	192
	2,616,745	2,921,523
Interest expenses on lease liabilities	94,055	162,691
Interest expenses on bonds and other borrowings	1,658,187	2,020,148
Less: interest capitalised to construction in progress	(108,165)	(52,662)
	4,260,822	5,051,700
Interest income:		
– interest on bank deposits	(244,383)	(211,039)
– interest on loan receivables	(197,578)	(174,007)
	(441,961)	(385,046)
Finance costs, net	3,818,861	4,666,654

6 PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(restated) (unaudited)
Depreciation of:		
Property, plant and equipment	4,847,482	5,167,661
Investment properties	16,609	13,856
Right-of-use assets	1,227,060	1,260,310
	6,091,151	6,441,827
Amortisation of intangible assets	656,555	555,496
Total depreciation and amortisation	6,747,706	6,997,323
Impairment loss on goodwill	1,189,382	918,544
Impairment loss on property, plant and equipment	1,210,915	590,424
Impairment loss on intangible assets	–	379
Impairment loss on right-of-use assets	8,058	5,948
Cost of inventories recognised as expenses	70,020,446	72,981,830
Allowance for impairment in respect of trade and other receivables	1,994,867	1,739,014
Staff costs	8,953,583	8,873,283
(Gain)/loss on disposal of property, plant and equipment, investment properties, intangible assets, net	(1,132,097)	65,213
Net foreign exchange gains	(46,518)	(8,549)

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)
	(unaudited)	(unaudited)
Current income tax	4,315,235	3,848,452
Deferred income tax	(565,878)	639
	3,749,357	3,849,091

PRC income tax is calculated at 25% (2019: 25%) of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulations in the PRC, except for certain subsidiaries of the Company, which are exempted or taxed at preferential rate of 15% (2019: 15%) entitled by the subsidiaries in accordance with relevant tax rules and regulations in the PRC or approvals obtained by the tax bureaus in the PRC.

Taxation on profits outside the PRC has been calculated on the estimated assessable profits for the six months ended 30 June 2020 and 2019 at the rates of taxation prevailing in the countries in which the Group operates.

8 DIVIDENDS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)
	(unaudited)	(unaudited)
Dividends	2,952,170	1,518,259

During the period, dividend amounting to approximately RMB2,952.17 million (six months ended 30 June 2019: approximately RMB1,518.26 million) was announced as the final dividend for the immediate preceding financial year.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (Interim dividend for the six months ended 30 June 2019: RMB Nil).

9 EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)
	(unaudited)	(unaudited)
Profit attributable to owners of the Company	5,386,571	5,755,911

	Six months ended 30 June	
	2020	2019
	<i>'000</i>	<i>'000</i>
	(unaudited)	(unaudited)
Weighted average number of ordinary shares in issue	8,434,771	8,434,771

No diluted earnings per share have been presented as the Group did not have any dilutive potential ordinary shares outstanding during both periods.

10 TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Trade receivables, net of allowance for bad and doubtful debts	55,365,284	45,602,953
Bills receivables	19,309,946	23,196,545
Contract assets	10,647,764	10,582,968
Other receivables, deposits and prepayments	26,857,224	24,995,393
	112,180,218	104,377,859

The Group normally allowed an average of credit periods of 60 to 180 days to its trade customers except for customers of engineering services segment, the credit periods are normally ranging from 1 to 2 years. Ageing analysis of trade receivables based on the invoice date is as follows:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Within two months	12,195,802	11,141,513
More than two months but within one year	27,888,043	23,860,594
Between one and two years	9,971,415	6,258,452
Between two and three years	3,460,598	2,626,781
Over three years	1,849,426	1,715,613
	55,365,284	45,602,953

The carrying amounts of trade and other receivables approximate to their fair values. Bills receivable is aged within six months.

As at 30 June 2020, approximately RMB156.46 million (31 December 2019: approximately RMB202.80 million) of the trade receivables and approximately RMB1,067.03 million (31 December 2019: approximately RMB1,053.39 million) of bills receivable are pledged to secure bank loans granted to the Group.

The analysis for reporting purposes is as follows:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Non-current portion	10,267,765	6,323,458
Current portion	101,912,453	98,054,401
	112,180,218	104,377,859

11 TRADE AND OTHER PAYABLES

The ageing analysis of trade payables is as follows:

	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Within two months	10,090,905	8,639,630
More than two months but within one year	23,955,151	21,533,785
Between one and two years	4,215,191	3,113,555
Between two and three years	1,116,460	1,161,256
Over three years	2,426,241	2,356,792
Trade payables	41,803,948	36,805,018
Bills payable	19,672,607	16,756,506
Contract liabilities	16,305,311	15,576,126
Other payables	18,645,434	20,147,475
	96,427,300	89,285,125

The carrying amounts of trade and other payables approximate to their fair values. Bills payable is aged within six months.

BUSINESS REVIEW AND PROSPECTS

The main business data of each segment of the Group for the six months ended 30 June 2020 and 30 June 2019 are summarized as follows:

CEMENT SEGMENT

China United Cement

	For the six months ended 30 June	
	2020	2019
Production volume – cement (<i>in thousand tonnes</i>)	27,461	29,117
Production volume – clinker (<i>in thousand tonnes</i>)	24,398	25,549
Sales volume – cement (<i>in thousand tonnes</i>)	24,558	25,299
Sales volume – clinker (<i>in thousand tonnes</i>)	5,571	5,720
Average selling price – cement (<i>RMB per tonne</i>)	354.6	378.4
Average selling price – clinker (<i>RMB per tonne</i>)	277.8	312.8
Sales volume – commercial concrete (<i>in thousand m³</i>)	18,901	21,914
Average selling price – commercial concrete (<i>RMB per m³</i>)	474.5	461.9

South Cement

	For the six months ended 30 June	
	2020	2019
Production volume – cement (<i>in thousand tonnes</i>)	42,916	43,751
Production volume – clinker (<i>in thousand tonnes</i>)	38,424	39,965
Sales volume – cement (<i>in thousand tonnes</i>)	41,258	41,799
Sales volume – clinker (<i>in thousand tonnes</i>)	7,383	10,937
Average selling price – cement (<i>RMB per tonne</i>)	353.0	357.4
Average selling price – clinker (<i>RMB per tonne</i>)	335.7	332.9
Sales volume – commercial concrete (<i>in thousand m³</i>)	22,919	23,163
Average selling price – commercial concrete (<i>RMB per m³</i>)	490.7	483.5

North Cement

	For the six months ended 30 June	
	2020	2019
Production volume – cement (<i>in thousand tonnes</i>)	6,454	6,118
Production volume – clinker (<i>in thousand tonnes</i>)	5,078	4,958
Sales volume – cement (<i>in thousand tonnes</i>)	6,313	5,750
Sales volume – clinker (<i>in thousand tonnes</i>)	937	561
Average selling price – cement (<i>RMB per tonne</i>)	260.5	316.9
Average selling price – clinker (<i>RMB per tonne</i>)	237.4	254.6
Sales volume – commercial concrete (<i>in thousand m³</i>)	1,240	1,269
Average selling price – commercial concrete (<i>RMB per m³</i>)	338.8	341.4

Southwest Cement

	For the six months ended 30 June	
	2020	2019
Production volume – cement (<i>in thousand tonnes</i>)	39,250	43,000
Production volume – clinker (<i>in thousand tonnes</i>)	33,182	35,009
Sales volume – cement (<i>in thousand tonnes</i>)	39,088	41,915
Sales volume – clinker (<i>in thousand tonnes</i>)	2,488	1,796
Average selling price – cement (<i>RMB per tonne</i>)	297.0	320.3
Average selling price – clinker (<i>RMB per tonne</i>)	246.7	281.3
Sales volume – commercial concrete (<i>in thousand m³</i>)	348	550
Average selling price – commercial concrete (<i>RMB per m³</i>)	316.5	331.8

Sinoma Cement

	For the six months ended	
	30 June	
	2020	2019
Production volume – cement (<i>in thousand tonnes</i>)	9,347	9,719
Production volume – clinker (<i>in thousand tonnes</i>)	8,581	10,312
Sales volume – cement (<i>in thousand tonnes</i>)	9,222	9,050
Sales volume – clinker (<i>in thousand tonnes</i>)	985	2,400
Average selling price – cement (<i>RMB per tonne</i>)	379.9	374.0
Average selling price – clinker (<i>RMB per tonne</i>)	324.5	318.2
Sales volume – commercial concrete (<i>in thousand m³</i>)	260	371
Average selling price – commercial concrete (<i>RMB per m³</i>)	474.9	458.9

Tianshan Cement

	For the six months ended	
	30 June	
	2020	2019
Production volume – cement (<i>in thousand tonnes</i>)	7,369	7,004
Production volume – clinker (<i>in thousand tonnes</i>)	7,656	7,269
Sales volume – cement (<i>in thousand tonnes</i>)	7,228	7,016
Sales volume – clinker (<i>in thousand tonnes</i>)	1,662	1,951
Average selling price – cement (<i>RMB per tonne</i>)	390.2	427.3
Average selling price – clinker (<i>RMB per tonne</i>)	261.9	267.8
Sales volume – commercial concrete (<i>in thousand m³</i>)	656	765
Average selling price – commercial concrete (<i>RMB per m³</i>)	379.9	435.3

Ningxia Building Materials

	For the six months ended	
	30 June	
	2020	2019
Production volume – cement (<i>in thousand tonnes</i>)	6,246	6,227
Production volume – clinker (<i>in thousand tonnes</i>)	5,249	4,769
Sales volume – cement (<i>in thousand tonnes</i>)	5,978	5,859
Sales volume – clinker (<i>in thousand tonnes</i>)	1,316	556
Average selling price – cement (<i>RMB per tonne</i>)	264.3	262.3
Average selling price – clinker (<i>RMB per tonne</i>)	173.2	203.5
Sales volume – commercial concrete (<i>in thousand m³</i>)	716	635
Average selling price – commercial concrete (<i>RMB per m³</i>)	320.8	336.4

Qilianshan

	For the six months ended	
	30 June	
	2020	2019
Production volume – cement (<i>in thousand tonnes</i>)	9,967	8,905
Production volume – clinker (<i>in thousand tonnes</i>)	7,537	6,973
Sales volume – cement (<i>in thousand tonnes</i>)	10,107	9,039
Sales volume – clinker (<i>in thousand tonnes</i>)	208	610
Average selling price – cement (<i>RMB per tonne</i>)	298.5	279.8
Average selling price – clinker (<i>RMB per tonne</i>)	231.1	199.1
Sales volume – commercial concrete (<i>in thousand m³</i>)	677	559
Average selling price – commercial concrete (<i>RMB per m³</i>)	390.8	381.1

NEW MATERIALS SEGMENT

BNBM

**For the six months ended
30 June**

2020 2019

Gypsum board – BNBM

Production volume (<i>in million m²</i>)	163.5	165.3
Sales volume (<i>in million m²</i>)	159.3	169.0
Average selling price (<i>RMB per m²</i>)	7.24	7.42

Gypsum board – Taishan Gypsum

Production volume (<i>in million m²</i>)	640.5	731.1
Sales volume (<i>in million m²</i>)	631.5	703.7
Average selling price (<i>RMB per m²</i>)	4.87	5.04

China Jushi

**For the six months ended
30 June**

2020 2019

Glass fiber yarn

Production volume (<i>in thousand tonnes</i>)	876	915
Sales volume (<i>in thousand tonnes</i>)	870	753
Average selling price (<i>RMB per tonne</i>)	4,229	4,866

Sinoma Science & Technology

**For the six months ended
30 June**

2020 2019

Glass fiber yarn

Production volume (<i>in thousand tonnes</i>)	331	359
Sales volume (<i>in thousand tonnes</i>)	340	338
Average selling price (<i>RMB per tonne</i>)	5,390	5,884

Wind power blade

Production volume (<i>MW</i>)	4,488	3,902
Sales volume (<i>MW</i>)	4,588	3,201
Average selling price (<i>RMB per MW</i>)	710,124	612,616

China Composites

**For the six months ended
30 June**

2020 2019

Wind power blade

Production volume (<i>MW</i>)	2,080	1,367
Sales volume (<i>MW</i>)	1,851	1,282
Average selling price (<i>RMB per MW</i>)	801,264	674,298

OVERVIEW OF THE FIRST HALF OF THE YEAR

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW

In the first half of 2020, in the face of the severe challenges caused by the COVID-19 pandemic and the complex and ever-changing domestic and international environment, as the Chinese people were mobilized to promote economic and social development while continuing to advance pandemic control, China's economy has rebounded after a slump and recovered steadily, showing its strong resilience and potential. The economic recovery was better than expected. GDP declined by 6.8% year on year in the first quarter and 1.6% year on year in the first half of the year. Fixed-asset investment declined by 16.1% year on year in the first quarter and 3.1% year on year in the first half of the year. Infrastructure investment declined by 19.7% year on year in the first quarter and 2.7% year on year in the first half of the year, and each of decline had gradually narrowed. Property development investment increased by 1.9% year on year in the first half of the year, turning into positive growth from a decline of 7.7% year on year in the first quarter. The building materials industry achieved positive results thanks to the coordinated prevention and control of the pandemic and the development of the industry. The economic operation of the industry gradually stabilized and recovered.

In the first half of 2020, focusing on the tasks in ensuring “stability on six fronts” and “security in six areas” and the requirements of ensuring “stability on three fronts, security in four areas and enhancing the leadership and building of the Party”, the Group coordinated the prevention and control of the pandemic, operation and management, reform and innovation, enhancing Party building and other work and consistently achieved new breakthroughs and results in high-quality development. The Group closely focused on details in the prevention and control of the pandemic, fully supported the frontline in the fight against the pandemic, bravely shouldered responsibilities and firstly achieved work resumption and full-capacity production to stabilize production and guarantee supply. Meanwhile, it issued anti-pandemic bonds by taking full advantage of fiscal and taxation policies to support the pandemic control. It continuously advanced the “management of three delicacies” to increase the profitability through improving operating efficiency, improve the management efficiency through enhancing refined management and boost the operation efficiency through streamlining the organizational structure. The Group deeply advanced the reform and innovation, deepened the reform of the incentive mechanism, solidly advanced the pilot on reform, achieved fruitful innovation-driven results and improved the development landscape of “three pillars” namely cement, new materials, and engineering services sectors. In addition, the Group continued the deep integration of Party building with operations to effectively display the advantages of Party building. In the first half of the year, compared with the same period of last year, the sales volume of cement and clinker of the Group decreased by 3.5% to 164 million tonnes, the sales volume of commercial concrete decreased by 7.1% year on year to 46 million cubic metres, the sales volume of aggregate increased by 37.6% year on year to 33 million tonnes, the sales volume of gypsum board decreased by 8.7% year

on year to 825 million square metres, the sales volume of glass fiber yarn increased by 10.8% year on year to 1.26 million tonnes and the sales volume of wind power blade increased by 43.6% year on year to 6,439 MW. The revenue from engineering services of the Group amounted to RMB15,730 million, representing a 9.1% decrease year on year. The revenue of the Group amounted to RMB106,788 million, representing a 4.8% decrease year on year. Profit attributable to equity holders of the Company amounted to RMB5,387 million, representing a 6.4% decrease year on year.

Cement Segment

Review of the cement industry in the PRC in the first half of 2020

The projects construction and the production and operation activities of enterprises experienced periodic suspension in the first quarter of 2020 and the initiation of the cement market was delayed due to the impacts of the pandemic, the production volume of cement decreased 23.9% year on year. With acceleration in advancing work and production resumption in the second quarter, the releasing of demands sped up, the production volume of cement in the PRC amounted to 998 million tonnes, representing a 4.8% decrease year on year and a smaller decline in the first half of the year. In terms of supply, the cement industry implemented the measures on the extension of peak shifting production and orderly advanced the work and production resumption after the pandemic to guarantee the supply, stabilize the market and enhancing self-discipline, thus effectively responding to the impacts of the pandemic and stabilizing performance of the industry.

The supply-side structural reform remained the main task in the industry. In January 2020, the MIIT released the Q&A on the Implementation of the Latest Measures on Capacity Replacement in the Cement and Glass Industry, setting out strict quotas on capacity replacement and specifying that cross-provincial capacity replacement shall be publicized by the transfer-in and transfer-out places. The Department of Industry and Information Technology of Guangxi suspended capacity replacement in April 2020, and enterprises with an annual production capacity of more than 3 million tonnes of clinker in priority areas have carried out production reduction and capacity replacement of cement projects according to the layout planning. The Ministry of Ecology and Environment carries out performance grading on the cement industry and imposes different shutdown restrictions on cement and clinker production lines, grinding stations and hazardous wastes treatment enterprises in response to the severely polluted weather during the yellow, orange and red warning periods. Following the commencement of off-peak replacement of calcium carbide slag enterprises in Xinjiang, in March 2020, four clinker enterprises and calcium carbide slag clinker enterprises in Inner Mongolia have prepared a off-peak replacement plan.

Review of the cement segment business of the Group in the first half of 2020

For the cement segment, the Group tided over the overlapping impacts of the economic downturn and the COVID-19, focused on key projects and core markets, further implemented the ideology of “PCP”, practiced control of new additions, peak shifting production, shutdown of outdated production facilities and cancellation of PC32.5R to safeguard the ecological health of the industry. As the “Cement+” strategy was deeply advanced, the cement business was transformed and upgraded, the commercial concrete business was optimized in business layout and the aggregate business achieved coordinated development with other business. While unswervingly pushing forward the consolidation and optimization, it has enhanced synergy and explored potentials to display the advantages of the Group.

China United Cement

While conducting regular prevention and control of the pandemic, China United Cement practiced the operating ideology of “PCP” to stabilize the market and the confidence in the industry. It explored peak shifting production after resuming work and production and actively participated in advancing the alleviation of PVC clinker. It strengthened cooperation with large construction groups to guarantee the basis for stable production volume and enhance the risk resistance ability under the pandemic.

China United Cement has improved lean operating efficiency and advanced intelligent transportation in sales and shipment of products; deeply advanced refined management and focused on cost reduction and efficiency enhancement, increased the procurement of direct-supply coal and centralized procurement, vigorously promoted the use of the centralized procurement platform and deeply carried out digital transformation and upgrading; coordinated the implementation of streamlining the organizational structure and solidly deepened the “2422” reduction works; and practiced green development concept and sped up in advancing the prevention and treatment of pollutants from the cement and clinker production lines.

China United Cement sped up in the formulation of plans on the construction and development of smart plants. The smart plant in Luoyang has been put into operation and the indicators of the intelligent loading system in Bengbu have been significantly optimized. Based on the “Cement+” strategy, it consolidated the current cement, concrete and aggregate resources, improved the upstream and downstream industrial chains and sped up in obtaining resources and the planning on large aggregate bases.

South Cement

While carefully conducting the prevention and control of the pandemic, South Cement continuously carried out peak shifting production and the management and control of clinker resources, actively promoted production reduction, optimization, transformation and upgrading, and led the supply-side structural reform of the industry. It strengthened the construction of core markets and channels, expanded key projects, overcame the impacts of the pandemic and strong rainy season in June, and stabilized fundamental markets.

South Cement steadily advanced lean production and further deepened benchmarking management; improved the three-in-one internal control system on finance, deepened financial centralization; carried out refined management in the full process of coal procurement, strengthened logistics management and coordinated procurement of limestone and other mineral resources in small areas and enhanced the reasonable allocation of internal resources to reduce the procurement and logistics costs; and continuously promoted organizational optimization and further streamlined institutions and maintained a skeleton staff.

South Cement accelerated the construction of smart cement plants, an optimization and upgrade project, with the smart production lines of Huaikan South and Deqing South completed construction. It continuously optimized the layout of commercial concrete and improved the standardized management system and business incentive mechanism on the commercial concrete business. Its aggregate business achieved active progress and aggregate projects were under orderly progress.

North Cement

In the face of the outstanding supply and demand conflict in northeast areas and the challenge of the pandemic, North Cement flexibly adjusted its marketing strategies by implementing the business model with the integration of production and sales to display the resources advantage of the place where the enterprise is located and guarantee its market share. It paid particular attention to the sales of key projects and enhanced linkage in sea transportation.

Special cement such as oil well cement, medium- and low-heat cement and road cement jointly developed by North Cement have been widely applied in key projects.

Southwest Cement

Southwest Cement comprehensively coordinated the prevention and control of the pandemic, enterprise maintenance, production operation and market supply, maintained planned management, connected production and sales and gave priority to cement supply to projects on people's livelihood and key projects. It deepened the supply-side structural reform, optimized supply and steadily conducted peak shifting production, establishing an excellent market ecosystem and environment.

Southwest Cement deepened lean production, advanced targeted technological transformation, enhanced the quality of production management and control and improved the operation efficiency; deepened the construction of procurement and bidding information platforms and central warehouses, optimized the chain on the management of unified procurement of key materials and deeply explored potentials in cost reduction; enhanced innovation in management models and vigorously promoted centralized finance and integrated procurement management in small areas.

Transformation and upgrading advanced shoulder by shoulder with the "Cement+" strategy. Saide intelligent production line on the full chain in Zunyi, Guizhou was under normal operation and continued to obtain mine resources. It sped up the implementation of the strategic layout of cement business featuring "one body, three wings", that is, it advanced technological innovation while emphasizing research and development of products. Southwest Cement has preliminarily established stable manufacturing technology on early-strength low-heat portland cement with low shrinkage specially for Sichuan-Tibet railway and has conducted experiments on on-site application.

Sinoma Cement

Adhering to the operating ideology of "PCP", Sinoma Cement closely followed the changes in regional markets, advanced work and production resumption, production and operation in an accurate and orderly manner; deeply explored customers, followed key projects, optimized the sales structure and adopted flexible strategies to stabilize the sales volume.

Following the five principles of "lowest cost, best quality, standardized security, green environmental protection and highest efficiency", Sinoma Cement continued to improve the benchmarking management system on all factors with "internal benchmarking at three levels and external dual benchmarking". It enhanced production benchmarking, optimized lean production. It also enhanced centralized capital management to reduce costs and expenses.

The “Cement+” business was under steady progress with new achievements in the exploration of limestone resources and the sludge and hazardous waste disposal projects were under orderly progress. The company in Zambia properly dealt with uncertainties during the outbreak of the pandemic, effectively preventing and solving risks on overseas operation.

Tianshan Cement

Tianshan Cement tided over the effects of the pandemic, initiated work and production resumption in an orderly manner, deeply advanced the supply-side structural reform, effectively adjusted the supply capacity in regional markets and improved the supply-demand structure, laying foundations for the healthy development of the industry. Based on the phased characteristics of the market, it implemented marketing strategies to ensure the best matching of output with price and maximize the operation efficiency.

Tianshan Cement comprehensively advanced the special reduction program to streamline institutions and improve the quality and efficiency. It developed marketing platforms and carried out unified management of the cement business within Xinjiang and the centralized management and control of selling prices. Based on the arrangement on peak shifting production, it properly allocated staff to improve the labor efficiency. It benchmarked itself against top enterprises to shore up its weakness, and analyzed technical indicators deeply.

Tianshan Cement sped up innovation in business models, developed the “cloud platform” of Jucai Mall (聚材商城), broke the bottlenecks in the development of traditional industries by leveraging on the Internet and achieved innovation and transformation.

Ningxia Building Materials

In the face of overcapacity of cement in the region and the impacts of the pandemic, Ningxia Building Materials carried out work and production resumption with firm confidence on the market. Firmly following the operating ideology of “PCP”, it implemented self-disciplinary measures and peak shifting production in the industry, striving to lead the healthy development of the regional market. It fully explored the civil market to closely seize market opportunities.

Ningxia Building Materials implemented two special campaigns on “benchmarking leading management enhancement” and “quality and efficiency improvement”. It consistently optimized the institution and position setting of subsidiaries and fully implemented the special reduction program “2422”. Ningxia Building Materials deeply developed the information development model. “Finding Car” (我找車), an online business platform for cargo logistics, achieved intelligent cargo logistics and has been extensively promoted for application among members of the Group and is gradually under external promotion.

Ningxia Building Materials steadily implemented the “Cement+” strategy to effectively improve the utilization of resources and further achieve cost reduction and efficiency improvement. It displayed the advantages of the “cement + concrete + aggregate” and “oil well cement + well cementation materials” portfolios and enhanced market exploration.

Qilianshan

While solidly coordinating the prevention and control of the pandemic and production and operation, Qilianshan carried out work and production resumption and market expansion. Adhering to the operating ideology of “PCP”, Qilianshan strictly implemented peak shifting production and resolutely promoted the supply-side structural reform.

Qilianshan deeply practiced the “management of three delicacies” and steadily improved the operation quality through centralized marketing, central financial management, centralized materials procurement, centralized technological development and centralized investment decision-making. It advanced information technology to “Digital Qilianshan 3.0” with a focus on automatic execution of business, digital driving of procedures, intelligent analysis on decision-making and data capitalization, achieving 100% listing of cement and clinker on “cloud sales” platform.

Qilianshan advanced the optimization and development of the “Cement+” strategy and the implementation of the Gansu-Qinghai-Tibet strategy and consolidated regional markets through an innovative cooperation model. On the basis of the exploration of and planning on mine resources with the materials investment company as the platform, Qilianshan achieved full potential in the regional mine aggregate construction project, making the aggregate business stronger and bigger.

NEW MATERIALS SEGMENT

BNBM

BNBM attached equal importance to the prevention and control of the pandemic and work and production resumption and participated actively in the construction, renovation and expansion work of certain pandemic-combating hospitals to fully guarantee growth. It fully implemented the “management of three delicacies” and the special reduction program “2422” and solidly advanced production and operation.

BNBM pushed forward the development strategy of “one body, two wings and global layout” steadily and sped up in the full coverage of the gypsum board market to enhance its brand advantage; continued the innovation-driven model to boost the “gypsum board+” business and built the development model of innovative technologies for the whole house with “Luban universal purpose board” as the core. BNBM accomplished initial integration and optimization of the water-proof business and establishing BN Water-proof Group as a unified operation and management platform. It

further implemented international strategies and actively advanced the implementation of key projects after the pandemic. It took the initiative to reform by commercialising its recruitment process in the selection of managerial candidates.

China Jushi

China Jushi carried out the prevention and control of the pandemic in a scientific, strict, full and accurate manner and stably conducted production and operation in an orderly way. It optimized the adjustment of the production and sales structure, fully displayed the advantages in the efficiency of the production line for intelligent manufacturing and unswervingly expanded the proportion of high-end products, high value-added products, cutting-edge products, high-end market and high-end customers, achieving sales growth against the trend.

By active implementation of scientific and technological innovation, the E8 formula achieved high-efficient production, further improving the efficiency and reducing the cost. New breakthroughs have been achieved in the R&D of the E9 formula, breaking technological bottlenecks and achieving mass production of large kilns. China Jushi expanded the proportion of cutting-edge featured products, stepped up efforts in the development of new products and achieved iteration and upgrading of products. It sped up in advancing intelligent manufacturing. The second roving production line with 150,000 tonnes in the Tongxiang headquarter intelligent manufacturing base, and a roving production line with 130,000 tonnes in the Chengdu intelligent manufacturing base had been put into production ahead of schedule, achieving leading position in the glass fiber yarn and glass fiber electronic cloth industries.

Sinoma Science & Technology

In respect of the wind power blade business, Sinoma Science & Technology carried out the prevention of the pandemic and production resumption at the same time, vigorously promoted work and production resumption, consistently optimized the capacity layout and product structure and consolidated the position of strategic customers, achieving significant increase in the production and sales volumes and the profitability. It firmly maintained the pace of “going out”, seized new strategic opportunities and endeavored to expand the international market.

In respect of the glass fiber business, Sinoma Science & Technology timely monitored changes in the overseas pandemic, firmly seized the opportunities in the wind power industry, deeply explored customers’ needs to actively adjust market structure and product portfolio, thereby achieving cost reduction and efficiency improvement. It stuck to corporate development driven by technological innovation and strengthened and improved technology and product reserves.

The lithium diaphragm business recorded rapid growth with production lines under normal operation and the capacities gradually released, achieving gradual improvement in the proportion of quality products. The exploration of core strategic customers was under smooth progress and the customer structure was continuously improved. Breakthroughs were achieved in overseas customers and the proportion of overseas revenue expanded rapidly. Its comprehensive competitiveness was consistently boosted and the market position was significantly enhanced. Moreover, Sinoma Science & Technology vigorously promoted the project construction and accelerated the second phase of the Tengzhou lithium diaphragm project.

China Composites

China Composites actively adjusted its production, operation and market strategies and deeply advanced the “management of three delicacies”, achieving outstanding results in cost reduction and efficiency improvement, significant growth in production appearing in the wind power business and sales and profitability. It actively seized opportunities in the wave of installment and sped up in the construction of offshore wind power and projects with low wind speed, realizing the layout of five types of blade modules.

The carbon fiber business recorded booming production and sales, and relevant application covered numerous fields. On the basis of the current industrialization of T700 and T800 grade carbon fibers, China Composites continued to make technological breakthroughs and solved the difficulties in macro control of defects of T1000G grade carbon fiber, achieving industrialization at the 100-tonne level. In addition, the project of high-performance carbon fiber in Xining was steadily advanced.

Sinoma Advanced

Sinoma Advanced actively adjusted the industrial structure, optimized transformation and upgrading and attached equal importance to the prevention and control of the pandemic and work and production resumption. The overseas revenue from electroceramics increased significantly. It achieved successful R&D of silicon nitride substrate with high thermal conductivity, facilitating its industrialized development.

Sinoma Advanced continued to promote the innovation-driven strategy. It fully displayed the advantages of Industrial Ceramics Institute and Beijing Synthetic Institute in scientific research, continued to occupy the high ground of technologies, promoted the transformation of scientific and technological achievements and strengthened the construction of innovation platforms, teams and disciplines.

ENGINEERING SERVICES SEGMENT

Sinoma International

Sinoma International coordinated the prevention and control of the pandemic and work and production resumption both at home and abroad. In the domestic market, Sinoma International expanded capacity replacement, technological transformation and aggregate projects with greater efforts, achieving significant increase in the number of new contracts domestically and promoting the quality and efficiency improvement and green development of the cement industry. In the international market, Sinoma International continued to consolidate the market competitiveness of the principal business of cement engineering service, and made all-out efforts to guarantee the stable production and operation and expedite the construction of major overseas projects. It vigorously explored diversified engineering businesses in overseas areas and signed new orders for various projects such as the edible oil refinery in South Africa and the power plant in Turkey. It also deepened localized operation and localized investment projects in Vietnam and Nigeria were under orderly progress.

Adhering to technology- and innovation-driven high-quality development, Sinoma International successfully applied the “second-generation NSP technology”, setting new benchmarks in the industry. Various R&D results such as the high-efficient SNCR intelligent control system achieved industrialized application. Sinoma International further deepened reform to improve the hierarchical and classified assessment incentive mechanism and further improved the market-based operation mechanism by exploring the establishment of a standardized position system and a scientific appraisal system.

China Triumph

China Triumph coordinated its efforts in the pandemic control and the resumption of work and production, and innovatively applied cloud services to sign contracts and launch a tender process. In terms of glass engineering, China Triumph gave full play to its leadership in the high-end transformation of the industry, developing all-round corporation with large enterprises in the industry and providing Chinese float glass technologies for international glass behemoths. In terms of new energy engineering, it contracted the construction of large photovoltaic power stations in Europe, making it the biggest Chinese photovoltaic power station contractor in Europe and America. In terms of agricultural facilities engineering, it constantly explored intelligent agriculture and developed an agricultural system with new infrastructure and high-efficient facilities. In terms of equipment manufacturing, it maintained its position in the traditional glass market, and tried its best to transform itself into such fields as new energy, new material and new infrastructure.

China Triumph spared no efforts to advance its international operations with a multi-dimensional layout in pursuit of the “Belt and Road” initiative, opening up the entire industry chain from R&D, design, equipment manufacturing to engineering services. It also strengthened the reduction and control of the “Two Funds” to continuously improve its operational efficiency. It persisted in the strategy of innovation-driven development and put its focus on the technological research and industrialization of new glass materials such as large-sized information display glass substrate, solar photovoltaic glass and special glass.

Sinoma Mining

Sinoma Mining deeply advanced the improvement of operating efficiency and solidly promoted mining services business, achieving new progress in coordinated cooperation and development and the number of new contracts setting a new record high. Sinoma Mining deeply promoted refined management and achieved new progress in benchmarking management, continued stable safety production with remarkable improvement in project quality, outstanding results in the construction of green mines and significant improvement in management efficiency. It deepened the streamlining of the organizational structure to improve operational efficiency.

OUTLOOK FOR THE SECOND HALF OF THE YEAR

The steady economic recovery in the first half of the year has laid a solid foundation for sustained recovery in the second half of the year. In the second half, the policy effect from responses to the pandemic shall be further demonstrated and the government will better carry out COVID-19 control and promote economic and social development and expand effective investment. It will give priority to new infrastructure and new urbanization initiatives and major projects, steadily advance new urbanization, step up implementation of China’s regional development strategies, and win the fight against poverty. From the perspective of the industry, as the investments in key areas such as infrastructure and real estate are being accelerated, market demand is expected to be released more quickly, and the annual profit is expected to be stable with good momentum; from the perspective of enterprises, the integration of business segments will be advanced continuously, and the synergy effect will be further exerted. However, given that to restart the world economy is fraught with difficulties, the foundation of domestic economic recovery is unstable, the industrial transformation and upgrading is arduous; opportunities and challenges coexist.

The Group will continue to follow the general principle of pursuing progress while ensuring stability and make plans according to timing conditions and actual situation. It will step up efforts to ensure “stability on six fronts” and maintain “security in six areas”, and spare no efforts to complete production and operation tasks, implement new development concepts, promote high-quality development and achieve breakthroughs in reform:

Firstly, it will spare no efforts to complete production and operation tasks. In terms of improve operating efficiency, the Group will practice the ideology of “PCP”, consolidate its position in the traditional market, develop emerging markets, and dig deep into market segments to carry out quality sales. In terms of enhance refined management, the Group will improve quality, enhance efficiency and carry out benchmarking management to further streamline management chains. In terms of streamlining the organizational structure, the Group will optimize the business structure, organizational structure and staff structure.

Secondly, it will spare no efforts to implement new development concepts. The Group will intensify its efforts on technological innovation and enhance its innovation capacities in business model and management innovative. It will strengthen its internal synergy and supplementary advantages to speed up the conversion of old growth drivers to new ones. It will be committed to green manufacturing to promote ecological development. It will focus on quality in pursuit of the “Belt and Road” initiative, and redouble its efforts in management localization to appropriately promote its diversified development; it will make full use of information technology to advance intelligent and digital transformation.

Thirdly, it will spare no efforts to promote high-quality development. The Group will focus on key tasks, shore up weaknesses and make every effort to improve its profitability. It will strengthen the construction of the quality management system, attach importance to brand building and consistently boost the value generation ability. It will deeply carry out the “Action Program on Responsibility for Blue Sky” and improve the capability in the recycling and coordinated disposal of resources.

Fourthly, it will spare no efforts to achieve breakthroughs in reform. The Group will speed up in advancing the integration of all business sectors. Currently, it has initiated the business integration of the cement sector. The Company’s A-share listed subsidiary, Tianshan Cement plans to issue shares to the Company to purchase assets and plans to further raise funds. Through this reorganization, the Company will build a platform of a cement flagship listed company and promote the centralized management and regional operation to further optimize resources allocation. It will further promote various pilot reforms and change of incentive mechanism to enhance the cohesiveness and vitality of the company.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020.

MATERIAL TRANSACTIONS

During the Reporting Period, the Company has not entered into any material transactions.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2020, the Company has publicly bought back the “17 Sinoma 02” bonds on the Shanghai Stock Exchange. The repurchase price was face value of the bond (RMB100 each bond) and the cancellation was RMB1,212,000,000, the bond has been fully repurchased.

Except for the aforementioned listed securities (“securities” having the meaning ascribed by the Listing Rules), for the six months ended 30 June 2020, the Company and its subsidiaries had no other purchase, sale or redemption of listed securities of the Company.

CORPORATE GOVERNANCE CODE

Except for code provision A.4.2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “Code”), the Company complied with the code provisions of the Code for the six months ended 30 June 2020; and with respect to code provision A.4.2, every director should be subject to retirement by rotation at least once every three years, and the current session of the Board elected on 27 May 2016 are subject to retirement by rotation by 27 May 2019. However, as it affects the entire Board of Directors, many factors must be considered to ensure the smooth continuation of the senior management of the Company. Therefore, with the exception of the following Directors, the remaining Directors of the current session of the Board have not retired by rotation. Mr. Song Zhiping and Mr. Guo Chaomin, being former Directors, have retired. Mr. Chang Zhangli was re-designated from an executive Director to a non-executive Director. At the 2017 annual general meeting of the Company held on 13 June 2018, Mr. Peng Jianxin was elected by Shareholders as an executive Director, and Ms. Xu Weibing, Mr. Shen Yungang and Ms. Fan Xiaoyan were elected as non-executive Directors. Mr. Peng Jianxin resigned as the vice chairman of the Company and executive Director on 30 July 2019 due to retirement. Ms. Xu Weibing resigned as a non-executive Director due to her retirement. The resignation has been effective since the appointment of Ms. Zhan Yanjing as a non-executive Director was approved at the extraordinary general meeting of the Company held on 9 December 2019. Mr. Qian Fengsheng resigned as an independent non-executive Director due to personal reasons. The resignation took effect after the approval of the appointment of Mr. Li Jun as an independent non-executive Director at the annual general meeting of the Company held on 22 May 2020.

SPECIAL COMMITTEES UNDER THE BOARD

The Strategic Steering Committee

The Company has established a strategic steering committee which comprises three Directors, including two executive Directors and one independent non-executive Director. The strategic steering committee is responsible for studying and reviewing the Company's operation objectives and long-term development strategies, business and organisational development proposals, major investing and financing plans and other material matters that will affect the development of the Company; supervising and inspecting the implementation of the annual operation plan and investing plans based on the authorisation of the Board; and making recommendations to the Board. During the Reporting Period, the strategic steering committee has reviewed the operation of the Company in 2019, proposals relating to the working arrangement in 2020 and proposal on the adjustment of the Company's structure.

Nomination Committee

The Company has established a nomination committee which comprises three Directors, including one executive Director and two independent non-executive Directors. The terms of reference adopted by the nomination committee are in compliance with the provisions of the Code. The nomination committee is responsible for, among other things, directed by the board diversity policy, the annual review of the structure, size and composition of the Board (in terms of techniques, knowledge and experience), providing recommendations to the Board in respect of any adjustments to be made in accordance with the Company's strategies and examining the selection criteria and procedures for the appointment of Directors and senior management, and reviewing the qualifications and conditions of Directors and senior management. During the Reporting Period, the nomination committee has reviewed the structure, size and composition of the Board and the special committees, diversity of the Board as well as the independence of the independent non-executive Directors, and approved six proposals in total, including the adjustment of the Directors of the fourth session of the Board, the chairman of the fourth session of the audit committee of the Board, the adjustment of directors of subsidiaries, the adjustment of directors of Sinoma Mining and the adjustment of directors and supervisors of subsidiaries.

Remuneration and Performance Appraisal Committee

The Company has established a remuneration and performance appraisal committee which comprises three Directors, including one executive Director and two independent non-executive Directors. The terms of reference adopted by the remuneration and performance appraisal committee are in compliance with the provisions of the Code. The remuneration and performance appraisal committee is responsible for recommending the specific remuneration and reviewing the performance of the Directors and senior management, based on the remuneration and performance appraisal management policies and framework pertaining to Directors and senior management which have been formulated by the Board. During the Reporting Period, the remuneration and performance appraisal committee has reviewed the total remuneration of the senior management members of the Company for 2019.

Audit Committee

The Company has established an audit committee which comprises three Directors, including three independent non-executive Directors, one of whom possesses the appropriate professional qualification and accounting and related financial management experience. In view of the resignation of Mr. Qian Fengsheng as an independent non-executive Director, the eleventh meeting of the fourth session of the Board held on 23 March 2020 elected Mr. Li Jun as a member of the fourth session of the audit committee of the Board and also as the chairman of audit committee, effective from the time when Mr. Li Jun was appointed as the independent non-executive Director at the annual general meeting of the Company held on 22 May 2020. The terms of reference adopted by the audit committee are in compliance with the provisions of the Code. The principal duties of the audit committee include reviewing the Company's external auditors and their work, the Company's financial reporting procedures, internal control and risk management, and formulating and reviewing the corporate governance policy and its practice and disclosure. During the Reporting Period, the audit committee has reviewed the 2019 conclusion of internal audit work of the Company, the 2020 working plan, the appointment of auditors for the year 2020, determination of audit expenses for the year 2019, the 2019 annual report and the 2020 interim report of the Company.

MODEL CODE

The Company has adopted a set of code of practice on terms no less exacting than the standards required in the Model Code. Having made specific enquiries with all Directors, the Company confirmed that all the Directors had complied with the required standards regarding securities transactions by Directors set out in the Model Code and Code for Securities Transactions of China National Building Material Company Limited during the Reporting Period.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“2422”	the reduction of account receivables and inventory; the reduction of other receivables, prepayments, interest-bearing liabilities and monetary capital; the reduction of asset-liability ratio and capital expenditure; and the reduction of the number of employees and legal persons
“Belt and Road”	the “Silk Road Economic Belt” and the “21st Century Maritime Silk Road”
“BNBM”	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
“Board”	the board of directors of the Company
“Cement+”	to develop, optimize and expand cement, commercial concrete, aggregate businesses which are the extension of industry chain of cement-related products and the new focal point of profit growth
“China Composites”	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
“China Jushi”	中國巨石股份有限公司 (China Jushi Co., Ltd.) (previously known as 中國玻纖股份有限公司 China Fiberglass Company Limited)
“China United Cement”	中國聯合水泥集團有限公司 (China United Cement Corporation)
“Company” or “CNBM”	中國建材股份有限公司 (China National Building Material Company Limited)
“Director(s)”	the director(s) of the Company
“Domestic Shares”	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB

“Group”	the Company and, except where the context otherwise requires, all its subsidiaries
“H Share(s)”	the overseas listed foreign shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HKD
“IASB”	International Accounting Standards Board
“IFRS”	International Financial Reporting Standards
“Industrial Ceramics Institute”	山東工業陶瓷研究設計院有限公司 (Shandong Industrial Ceramics Research & Design Institute Co., Ltd.)
“Internal benchmarking at three levels and external dual benchmarking”	internal: three levels of benchmarking management with CNBM, Sinoma Cement and member companies as the platform; external: benchmarking the overall operation level of Sinoma Cement with that of the domestic leading peer enterprises, and benchmarking each member enterprises with the regional leading enterprises
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“management of three delicacies”	improve operating efficiency, enhance refined management and streamline the organizational structure
“MIIT”	中華人民共和國工業和信息化部 (Ministry of Industry and Information Technology of the People’s Republic of China)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Ningxia Building Materials”	寧夏建材集團股份有限公司 (Ningxia Building Materials Group Co., Limited)
“North Cement”	北方水泥有限公司 (North Cement Company Limited)
“NSP”	cement produced by clinker made through the new suspension preheater dry process

“one body, three wings”	one body: special cement; three wings: non-portland cement gel, mixed Portland cement, mineral gel
“one body, two wings and global layout”	“one body” means to take the gypsum board business as the core, do a good job in supporting extension business of “gypsum board +”, promote our original “Luban” universal board assembly system for the whole house, and provide customers with technical solutions of “interior, exterior, ceiling and floor” innovative products; “two wings” means to develop waterproof materials and coatings business, enter into “ten times +” market, and cultivate main business in a strategic level; “global layout” means to take gypsum board as the leading product, gradually carry out the global layout of the entire product series, and build a world-class brand
“Parent”	中國建材集團有限公司 (China National Building Material Group Co., Ltd.*) (previously known as 中國建築材料集團有限公司 China National Building Materials Group Corporation)
“PCP”	Price – Cost – Profit
“PRC”	the People’s Republic of China
“Qilianshan”	甘肅祁連山水泥集團股份有限公司 (Gansu Qilianshan Cement Group Company Limited)
“Qilianshan 3.0”	A digital control platform featuring automated business execution, digital process drive and intelligent decision-making analysis vigorously established by Qilianshan through improving and upgrading basic system, enhancing informatization of professional management and strengthening its innovation capacity in digital drive and process
“Reporting Period”	the period from 1 January 2020 to 30 June 2020
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“security in six areas”	security in the following six areas: employment, people’s livelihoods, the development of market entities, food and energy security, the stable operation of industrial and supply chains and the smooth functioning of society

“Share(s)”	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising Domestic Shares, H Shares and Unlisted Foreign Shares
“Shareholder(s)”	holder(s) of Share(s)
“Sinoma Cement”	中材水泥有限責任公司 (Sinoma Cement Co., Ltd.)
“Sinoma International”	中國中材國際工程股份有限公司 (Sinoma International Engineering Co., Ltd.)
“Sinoma Mining”	中材礦山建設有限公司 (Sinoma Mining Construction Co., Ltd.)
“Sinoma Science & Technology”	中材科技股份有限公司 (Sinoma Science & Technology Co., Ltd.)
“South Cement”	南方水泥有限公司 (South Cement Company Limited)
“Southwest Cement”	西南水泥有限公司 (Southwest Cement Company Limited)
“stability on six fronts”	stability in the following six fronts: employment, finance, foreign trade, foreign investment, domestic investment and market expectations
“stability on three fronts, security in four areas and one enhancement”	stability on the three fronts: the stability of operation, industrial and enterprises; security in the four areas: the security of people’s livelihood, major projects, production safety and high-quality development; one enhancement: the enhancement of Party building
“State” or “PRC Government”	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Taishan Gypsum”	泰山石膏有限公司 (Taishan Gypsum Co., Ltd.*)
“Tianshan Cement”	新疆天山水泥股份有限公司 (Xinjiang Tianshan Cement Co., Ltd.*)
“Unlisted Foreign Shares”	the unlisted foreign shares with a nominal value of RMB1.00 each in the registered capital of the Company

By Order of the Board
China National Building Material Company Limited*
Cao Jianglin
Chairman

Beijing, the PRC
28 August 2020

As at the date of this announcement, the board of directors of the Company comprises Mr. Cao Jianglin, Mr. Peng Shou and Mr. Cui Xingtai as executive directors, Ms. Zhan Yanjing, Mr. Chang Zhangli, Mr. Tao Zheng, Mr. Chen Yongxin, Mr. Shen Yungang and Ms. Fan Xiaoyan as non-executive directors and Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Li Jun and Ms. Xia Xue as independent non-executive directors.

* For identification only